

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 7081

Investigation into Least-Cost Integrated                    )  
Resource Planning for Vermont Electric Power        )  
Company, Inc.'s Transmission System                    )

Order entered: 7/20/2005

**ORDER OPENING INVESTIGATION AND NOTICE OF PREHEARING CONFERENCE**

**I. INTRODUCTION**

Today we open an investigation into the obligations of Vermont Electric Power Company, Inc. ("VELCO") and Vermont's distribution utilities with respect to least-cost integrated resource planning for VELCO's transmission system.

**II. BACKGROUND**

In Docket No. 6860, the Public Service Board ("Board") approved, with substantial conditions and modifications, a transmission system upgrade proposed by VELCO and Green Mountain Power Corporation. In that Order, the Board concluded that it had:

no viable option but to approve a transmission solution for a reliability problem that might have been either deferred or more cost-effectively addressed through demand-side measures or local generation, if there had been sufficient advance planning by VELCO and its owners.<sup>1</sup>

To avoid a repeat of this situation, the Board announced in the Docket 6860 Order that it would open a new investigation into the least-cost integrated resource planning obligations of VELCO and its owners.

Following our Order in Docket No. 6860, we solicited comments from interested parties to help us determine the potential issues to be addressed and procedures to follow in a Board

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1. Docket No 6860, Order of 1/28/05 at 11.

investigation into least-cost transmission planning for Vermont. On June 15, 2005, we held an informal workshop to further discuss these matters.

Also subsequent to our Order in Docket No. 6860, the Vermont legislature passed S. 52, which the Governor signed into law on June 14, 2005 (P.A. No. 61 (2005 Vt., Bien. Sess.)). Included in the provisions of S. 52 are requirements for VELCO to prepare a transmission-system plan, after public hearings and opportunity for input by the distribution utilities, the state's Energy Efficiency Utility, and the Vermont Department of Public Service ("Department"). S. 52 also requires the distribution utilities to incorporate the transmission system plan into their own integrated resource plans. The provisions of S. 52 address some, but not all, of the issues regarding least-cost planning for Vermont's bulk transmission system that we identified in Docket No. 6860.

### III. DISCUSSION

Based on the concerns that we expressed in Docket No. 6860, the comments that we received in writing and at the June 15 workshop, and the provisions of S. 52, we have decided that the most appropriate course of action is to open a contested-case proceeding in which to address the least-cost integrated resource planning obligations of VELCO and its owners. Today's Order opens that proceeding.

Although this docket will be governed by contested-case procedures, we will follow the Department's recommendation and provide a period for negotiations among the parties. Any negotiated settlement will need to be presented to the Board for approval. Any issues that remain unresolved after the opportunity for negotiation will be resolved through contested-case hearings. The Board's resolutions of the issues in this contested-case Docket will be binding, to the extent of the Board's jurisdiction over the parties.

The issues to be addressed in this investigation are identified, in general terms, in our Docket No. 6860 Order. As we stated in that Order, this new docket will be an:

investigation into ways to ensure that cost-effective non-transmission alternatives are given full, fair, and *timely* consideration, and to determine methods for

implementing (including funding) those non-transmission alternatives that bear lower societal costs than traditional transmission projects.<sup>2</sup>

This new investigation will consider whether we can and should require VELCO to prepare a least-cost integrated plan that goes beyond the requirements of the transmission-system plan envisioned by S. 52. We will examine the extent to which, if at all, VELCO faces practical and legal impediments to identifying and implementing least-cost non-transmission alternatives. For any such impediments, this docket will determine whether, and if so how, they might be overcome.

In our investigation, we will examine whether VELCO's load forecasting suffers from deficiencies that compromise VELCO's ability to consider non-transmission alternatives in a timely manner.

Another focus of our investigation will be to consider the potential roles for entities other than VELCO — in particular, the Energy Efficiency Utility and Vermont's distribution utilities — in evaluating and implementing non-transmission alternatives to traditional transmission-system upgrades. This review will include:

the extent, if any, to which Vermont's distribution utilities have been, and should be, undertaking their planning and other associated activities (such as issuance of Act 250 "ability to serve" letters) in conjunction with VELCO's planning.<sup>3</sup>

Vermont's distribution utilities will see a large portion of their existing power supply resources expire over the next decade. The utilities are, presumably, already engaged in planning efforts to replace those expiring resources. The exploration of least-cost planning issues in this Docket should benefit from consideration of and, perhaps, coordination with the utilities' and the Department's planning efforts concerning replacement of the expiring power supplies.

Within these general outlines, the specific issues to be addressed will be one of our first orders of business in this Docket, after all parties have an opportunity to present further comments on the scope of issues for this investigation. We have already provided interested parties an opportunity to submit such comments, both in writing and at the June 15 workshop. Based on those comments, and in order to facilitate consideration and discussion of the

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2. *Id.*

3. *Id.* at 11–12.

appropriate scope of this Docket, we have identified, on a preliminary basis, a list of specific issues that appear to be appropriate for resolution in this proceeding. This preliminary list of issues is included as Attachment A to today's Order.<sup>4</sup> We will ask the parties to provide further comments on this list of issues; the schedule for those comments will be established at the prehearing conference.

Finally, Conservation Law Foundation has recommended that the Board retain its own experts, and consider funding independent experts, to assist in this investigation. We will reserve judgment on whether to pursue such expert assistance; our ultimate decision on whether to do so will depend in large part on the quality and objectivity of information that the parties present to us.

#### **IV. ORDER**

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. Pursuant to Title 30 of the Vermont Statutes Annotated and the Rules of the Public Service Board, and in particular pursuant to Sections 203, 209 and 218c of Title 30, an investigation is hereby instituted into the obligations of Vermont Electric Power Company, Inc. ("VELCO") and Vermont's distribution utilities with respect to least-cost integrated resource planning for VELCO's transmission system.

2. A prehearing conference will be conducted by the Public Service Board, pursuant to 30 V.S.A. § 10(c), on Wednesday, August 10, 2005, at 3:00 P.M., at the Public Service Board Hearing Room, Third Floor, Chittenden Bank Building, 112 State Street, Montpelier, Vermont. All parties shall be prepared to address questions of scheduling and intervention at that time, and shall be prepared to make preliminary statements of position and to identify issues of significance.

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4. This list borrows heavily from the list of issues prepared by the Department. We have found the Department's list to be both thoughtful and comprehensive, and thus it provided a useful starting point in the creation of our own preliminary list of issues. We appreciate the efforts of not only the Department but also all interested parties who presented comments on the scope of issues and on procedural matters.

3. Vermont Electric Power Company, Inc., and Vermont electric distribution utilities are ordered to participate in this investigation, and shall file written notices of appearance with the Clerk of the Board not later than August 5, 2005. Other persons or entities wishing to participate in this proceeding shall appear at the prehearing conference noted above, and shall file written motions to intervene with the Clerk of the Board not later than August 5, 2005.<sup>5</sup>

Dated at Montpelier, Vermont, this 20th day of July, 2005.

<u>s/James Volz</u>	)	
	)	PUBLIC SERVICE
	)	
<u>s/David C. Coen</u>	)	BOARD
	)	
	)	OF VERMONT
<u>s/John D. Burke</u>	)	

OFFICE OF THE CLERK

FILED: July 20, 2005

ATTEST: s/Susan M. Hudson

Clerk of the Board

*NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)*

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5. The Vermont Department of Public Service, as a statutory party pursuant to 30 V.S.A. § 2(b), need only file a notice of appearance.